

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7579

BILL NUMBER: HB 1682

NOTE PREPARED: Jan 7, 2005

BILL AMENDED:

SUBJECT: Judges' Pensions.

FIRST AUTHOR: Rep. Dobis

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a participant in the Judges' Retirement System who is: (1) convicted of a felony; or (2) retired or removed from office for disciplinary reasons; is not eligible for a retirement benefit.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This proposal will affect judges who are convicted of a felony or are retired or removed from office for disciplinary reasons after June 30, 2005. The specific impact will depend upon the number of judges involved, their ages, years of creditable service, and salary. The fund affected is the state General Fund.

Background Information: For illustrative purposes, the reduced expenditures are estimated for one hypothetical individual under the following assumptions: (1) the judge is 50 years of age, with a spouse who is 53 years of age; (2) the judge will have eight years of service; (3) full benefits would commence at age 62; (4) the salary of the judge is \$92,522. Under these assumptions, this proposal would save the Judges' Retirement System an estimated \$88,821.

Estimation Details: The annual unreduced retirement equals the product of the annual salary paid to the participant at the participant's separation from service (1985 System) multiplied by a percentage applicable to years of service. In this case, the percentage of salary for the judge with eight years of service is 24% x \$92,522, or \$22,205/12= \$1,850/month. The actuarial present value factor is 48. The actuarial present value is the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions. Therefore, the estimated monthly salary

of \$1,850 x 48= \$88,821, the estimated savings to the fund. The fund affected is the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the Judges' Retirement System, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.